

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 30, 2004

In Reply Refer To:
Southern Star Central Gas Pipeline, Inc.
Docket Nos. RP05-103-000
RP03-135-000
RP03-135-001
RP04-93-000

Southern Star Central Gas Pipeline, Inc.
4700 KY Hwy. 56 West
P.O. Box 20010
Owensboro, KY 42304-0010

Attention: Daryl R. Johnson, Vice President
Rates and Regulatory

Reference: Stipulation and Agreement and 2005 Fuel Reimbursement Filing

Dear Mr. Johnson:

1. On November 4, 2004, Southern Star Central Gas Pipeline, Inc., (Southern Star) filed a Stipulation and Agreement¹ (settlement) to resolve all pending issues regarding its 2003 and 2004 fuel reimbursement filings. Section 13 of Southern Star's General Terms and Conditions (GT&C) requires Southern Star to file annually to adjust its fuel and loss reimbursement percentages. Southern Star submitted its 2003 fuel reimbursement filing on November 27, 2002, in Docket No. RP03-135-000. Southern Star submitted its 2004 fuel reimbursement filing on December 1, 2003, in Docket No. RP04-93-000. Numerous parties protested both filings, both as to whether Southern Star had calculated the fuel and loss percentages for storage service consistent with section 13 of its GT&C and whether section 13 itself should be modified pursuant to Natural Gas Act section 5. Accordingly, the Commission set both filings for hearing, which the Administrative Law Judge (ALJ)

¹ Southern Star filed its settlement in Docket Nos. RP03-135-000, RP03-135-001, and RP04-93-000.

convened on May 3, 2004. The ALJ issued an initial decision on September 16, 2004.² After parties filed briefs on and opposing exceptions to the initial decision, Southern Star filed the instant settlement.

2. Southern Star's settlement includes seven articles and *pro forma* tariff sheets modifying Southern Star's Fuel and Loss Reimbursement provisions set forth in section 13 of its GT&C. Southern Star requests a January 1, 2005, effective date for the settlement so it can use the revised provisions to calculate its 2005 fuel and loss reimbursement percentages. Southern Star believes the settlement to be uncontested.

3. In general, Article I of the settlement provides that Southern Star's proposed *pro forma* revisions to its Fuel and Loss Reimbursement provisions will become effective on January 1, 2005, and the modified provisions will be used to compute Southern Star's 2005 fuel and loss reimbursement percentages. Southern Star's currently effective tariff provides for separate fuel and loss reimbursement percentages for Production Area transportation, Market Area transportation, and storage injections. The tariff revisions included in the settlement modify how Southern Star will calculate its storage fuel and loss reimbursement percentages. In general, Southern Star's storage fuel and loss reimbursement percentages will have two components, a current charge and a surcharge. The tariff sheets set forth the mechanism Southern Star will use to calculate each component. Calculations will incorporate a three-year rolling average of storage injection data on Southern Star's system. Southern Star will also set up an account to track storage losses or gains. Article I also addresses certain methodology changes used to derive refunds for Southern Star's 2003 and 2004 fuel reimbursement filings.

4. Article II requires Southern Star to maintain a storage loss over/under recovery account, and to have that account balance be zero on January 1, 2005. Article III requires Southern Star to refund 400,000 Dt. of storage losses to shippers for its 2003 and 2004 fuel reimbursement filings. Southern Star is to refund the storage losses by crediting each shipper's storage inventory account. Article IV provides that, for the purposes of calculating the three-year average storage loss for Southern Star's 2005 fuel reimbursement filing, Southern Star should use the actual measured losses for 2003 and 2004, but use 800,000 Dt. for its 2002 losses in lieu of measured 2002 losses. Article V requires Southern Star to file revised tariff sheets setting forth its modified Fuel and Loss Reimbursement provisions to become effective January 1, 2005. It also requires Southern Star to refund to shippers any refundable storage losses from its 2003 and 2004 fuel reimbursement filings within 10 days of the date this agreement effectuates. Article VI addresses the effectiveness of the settlement, and Article VII sets forth general reservations.

² *Southern Star Central Gas Pipeline, Inc.*, 108 FERC ¶ 63,038 (2004).

5. On December 1, 2004, Southern Star submitted its 2005 fuel reimbursement filing in Docket No. RP05-103-000. Southern Star's filing contains two sets of tariff sheets. Its primary sheets³ set forth its proposed 2005 fuel and loss reimbursement percentages using the modified Fuel and Loss Reimbursement provisions agreed to by parties as part of the instant settlement. Southern Star proposes a fuel and loss reimbursement percentage of 2.64 percent for storage injections; a minimum and maximum fuel and loss reimbursement percentage of 0.48 percent and 2.10 percent, respectively, for Production Area transportation; and a minimum and maximum fuel and loss reimbursement percentage of 0.48 percent and 0.95 percent, respectively, for Market Area transportation. Southern Star's primary tariff sheets reflect the Fuel and Loss Reimbursement provisions contained in the settlement's *pro forma* sheets.

6. Southern Star's 2005 fuel reimbursement filing also includes one alternate tariff sheet. Southern Star filed an Alternate Third Revised Sheet No. 12 setting forth its proposed 2005 fuel and loss reimbursement percentages calculated using its currently effective Fuel and Loss Reimbursement provisions, and not the settlement provisions. On its alternate sheet, Southern Star proposes a fuel and loss reimbursement percentage of 3.87 percent for storage injections; a minimum and maximum fuel and loss reimbursement percentage of 0.48 percent and 2.10 percent, respectively, for Production Area transportation; and a minimum and maximum fuel and loss reimbursement percentage of 0.48 percent and 0.95 percent, respectively, for Market Area transportation. Southern Star states that it filed its alternate tariff sheet in case the Commission does not approve its settlement in time to incorporate its revised methodology into its 2005 fuel reimbursement filing. Southern Star proposes a January 1, 2005, effective date for its primary and alternate tariff sheets. Southern Star also provides worksheets showing how it calculated its fuel and loss reimbursement percentages for both its primary and alternate sheets.

7. The Commission issued notice of Southern Star's settlement on November 9, 2004. The Commission granted Southern Star's request for a shortened notice period, requiring interventions, comments, and protests to be filed by November 12, 2004, and reply comments by November 19, 2004. The Commission issued notice of Southern Star's 2005 fuel reimbursement filing on December 17, 2004. Interventions, comments, and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2004)). Pursuant to Rule 214 of the Commission's Rules and Practice and Procedure (18 C.F.R. § 385.214 (2004)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted for both filings. Granting late intervention at this stage of the

³ Third Revised Sheet No. 12, Second Revised Sheet No. 266, First Revised Sheet No. 267, Original Sheet No. 267A, Original Sheet No. 267B, and Original Sheet No. 267C to its FERC Gas Tariff, Original Volume No. 1.

proceeding will not disrupt the proceeding or place additional burdens on existing parties. No party protested or filed adverse comments to either Southern Star's settlement or its 2005 fuel reimbursement filings. Several parties filed comments in support of each filing.

8. We find Southern Star's uncontested settlement to be fair and reasonable and in the public interest. Accordingly, we approve the settlement, effective January 1, 2005, as proposed. The Commission's approval of this settlement does not constitute a precedent regarding any principle or issue in this proceeding. Further, we accept Southern Star's primary tariff sheets filed in Docket No. RP05-103-000, and listed in footnote 3 of this order, which set forth its 2005 fuel and loss reimbursement percentages and implements the revised Fuel and Loss Reimbursement provisions contemplated by the settlement. The effective date of these tariff sheets is January 1, 2005, as proposed. Finally, we reject Southern Star's Alternate Third Revised Sheet No. 12 as moot, since it reflects fuel and loss reimbursement percentages calculated using the pre-settlement methodology, which Southern Star supersedes with its settlement. This acceptance benefits the public by resolving all pending issues in Southern Star's 2003 and 2004 fuel reimbursement proceedings, by setting forth Southern Star's 2005 fuel and loss reimbursement percentages, and by establishing more efficient and agreeable Fuel and Loss Reimbursement provisions.

By direction of the Commission.

Linda Mitry,
Deputy Secretary.

cc: All Parties

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